State of Connecticut

Office of Consumer Counsel

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The Energy and Technology Committee
March 4, 2010

Raised Bill No. 5364, AAC Virtual Net Metering
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The Office of Consumer Counsel (OCC) has carefully reviewed Raised Bill No. 5364, *An Act Concerning Virtual Net Metering,* and has concerns about the bill. The bill would require the electric distribution companies to provide virtual net metering to certain customers, including municipalities.

To cite a simplified example of how virtual net metering works, consider a municipality that had two electric utility accounts, one at location A and one at location B. Now let us say that location A has a fuel cell on site, but location B does not. If the electricity needs are met at location A by the fuel cell in a given month with some electricity left over, virtual net metering would require that the utility allow location A's excess to count against the electricity usage at Location B. While this would seem to have a surface plausibility, it creates problems because the electric utilities have volumetric distribution and transmission charges in each customer's rates, as authorized by DPUC.

Continuing this example, let us say that location A had 600 kilowatt-hours ("kwh") of usage in a given month which was all met with a fuel cell, and that the fuel cell produced an extra 400 kwh of usage in the month, and that Location B (where the fuel cell is not located) also had 400 kwh of usage.

Location A	Fuel Cell at Location A	Location B
600 kwh of monthly usage	1,000 kwh of monthly production.	400 kwh of monthly usage

In this situation, under virtual net metering and our reading of the proposed bill, Location B would get an electricity bill for zero kilowatt-hours of usage, as the extra 400 kwh of output from the fuel cell at Location A would "virtually" cover Location B's load. What this means is that Location B would be relieved of not only any electric generation charges, but also of any volumetric transmission and distribution charges, since, again, the volume used in my example is calculated to be zero under virtual net metering. However, not one thing changed about how the electric distribution company provided 400 kwh of distribution and transmission service to Location B. The utilities ensured that Location B had reliable power for the whole month, such

that the customer could use the 400 kwh at Location B. Thus, OCC is not aware of any basis in utility rate theory why the customer should be relieved of its transmission and distribution charges for Location B. In the long run, if this bill passes, other customers would have to pay for the revenue shortfall from all of the "Location Bs." Since this bill creates a subsidy paid for by the general class of ratepayers and the subsidy has no clear cap, OCC is concerned about the rate impact.

OCC is also concerned because the bill would provide that any excess virtual net metering credits at the end of the year would be paid to the customer at the "retail rate of electric power generation." First of all, it is unclear what rate is being referred to in the above quote. There is a standard service rate, a supplier of last resort service rate, and innumerable rates being offered by competitive power suppliers. Second, the existing net metering provision, Conn. Gen. Stat. § 16-243h, only compensates the customer for its excess "at the avoided cost of wholesale power." (Emphasis added). This would seem more appropriate than paying the higher retail rate of power generation.

Finally, as just mentioned, Connecticut already allows for (ordinary) net metering pursuant to Conn. Gen. Stat. § 16-243h. This provision already provides a robust set of benefits of net metering to someone operating a small Class I renewable energy source. A customer with a small renewable energy source at Location A is certainly free to share those benefits with another department of the municipality (Locations B, C, and D), or, in the case of a housing authority, to reassign the benefits of net metering among tenants of the housing authority by contract, without the complications and cost shifting created by virtual net metering.